



**Montana
Office of Public Instruction**
Denise Juneau, State Superintendent

opi.mt.gov

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DATE: October 2011

TO: Auditors of Montana School Districts

FROM: Rebecca Phillips

RE: School District Audits for FY2010-2011

This letter is intended to provide new information and updates regarding issues that affect Montana school district audits for the fiscal year ended June 30, 2011. The information being provided was drawn from the review of FY2010 audits, the FY2011 Trustees Financial Summary (TFS) and the 2011 Montana Legislative Session. Throughout this letter you will find hyperlinks to web pages regarding the related information. Click on the blue words to access the information.

Enclosed: Appendix A - Enrollment/ANB Schedule
Appendix B - Excess Reserves Changes from FY2010 TO FY2011

Request for Information – Standard Audit Contract

Requests for information pertaining to potential financial or legal compliance issues relating to the school district or cooperative you are auditing can be sent to: Donell Rosenthal, OPI, P.O. Box 202501, Helena, MT 59620-2501 or fax requests to (406) 444-0509. You can also send the requests via email to drosenthal@mt.gov. Please allow two weeks for a response. If requesting information regarding multiple entities [list the districts/cooperatives by county](#) as to help expedite the turnaround of information.

Submission of Audit Reports to OPI

A copy of the audit report is required to be sent to the OPI per MCA, 2-7-503, regardless of the level of the audit performed. The districts audit response should be included in the audit report. Please send a copy of the audit and available response to Rebecca Phillips, OPI, P.O. Box 202501, Helena, MT 59620-2501

School Finance Division Website

The OPI School Finance Division website includes pages pertaining to [auditor information](#) and [entitlement payments](#). Included on the auditor information page is TFS reports, enrollment reports, and the value of donated commodities by fiscal year.

New Information for FY2011

2011 Legislative Session

The OPI has provided a [K-12 Legislative Summary](#) which entails information pertinent to school districts for FY2011 and in the future.

SB329 One Time Transfer from General Fund – [SB329](#), Section 7 amends 20-9-104, MCA by adding subsection (9) which states, “Prior to June 30, 2011, a school district may transfer any general fund money in excess of 15% of the fiscal year 2011 general fund budget that is not needed to fund the budget to any budgeted fund considered appropriate by the trustees.” **Please be advised that this one - time transfer does not count against the General Fund budget authority.**

Official Emails were sent to districts which provided information regarding this transfer. The links to the emails are provided here: [Introduction to one-time transfer](#) or [Update on one-time transfer](#)

Debt Service Fund - General Obligation Bonds, QZABs, QSCBs - Associated Expenditures

OPI’s monitoring efforts have shown that the annual agent fees associated with general obligation bonds is an area often grossly overstated and results in an overpayment of the state reimbursement for school facilities state guaranteed tax base aid (GTB Facilities). In addition to our compliance efforts, the OPI requests that auditors be aware of and verify fees charged to the Debt Service Fund.

Annual **agent fees** are an allowable expenditure of the Debt Service Fund and are recognized for state paid GTB Facilities. Agent fees are specifically identified on the bond agreement and are charged by the Registrar and Paying Agent. The annual agent fee is \$300 for regular bonds (General Obligation), QZAB and QSCB bonds.

Districts receiving direct subsidies (versus the tax credit) on the Qualified Zone Academy Bonds (QZAB) and Quality School Construction Bonds (QSCB), will also have the Paying Agent submit the paperwork to receive the subsidy from the Federal government. This **filing fee** is \$100 per interest payment processing. All of the sinking fund bonds issued have semi-annual interest payment due dates. The filing fee is an allowable expenditure of the Debt Service Fund and is recognized for state paid GTB Facilities.

Districts should include \$500 in filing fees (\$200 filing fee + \$300 agent fee) per issue for the sinking fund bonds annually in the Debt Service Fund budget. According to the sinking fund bond agreement, school districts must hire an accounting firm annually to verify that the Sinking Fund Yield is less than Permitted Sinking Fund Yield. Districts may hire their own auditor to provide this service. These annual charges are **contracted services** and should not be expended from the Debt Service fund. Depending on the project, these charges could be expended from the General, Building or Flexibility funds, or other appropriate fund. The charges for these services are not agent fees, are not allowable expenditures of the Debt Service Fund and are not recognized for state paid GTB Facilities. Contact Kathleen Wanner at kwanner@mt.gov or (406) 444 – 9852 with any questions.

GASB Statement No. 54

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, is effective for fiscal periods that begin after June 15, 2010, meaning the implementation date for Montana school districts is the fiscal year ending June 30, 2011. The Office of Public Instruction offered several training opportunities for school districts regarding GASB 54 during the last year. The training was based on the DOA presentations provided at the following links: [GASB 54 New Fund Balance Reporting](#) and [GASB 54 Implementation](#). Other information regarding GASB 54 can be found at the [Local Government Services Bureau](#) website.

Education Jobs Funding

[The Education Jobs Funding](#) (Ed Jobs) is a federal funding source resulting from an amendment to the ARRA that was paid to the Montana school district's general fund during FY2011 with the Direct State Aid (DSA) payments. The funds were distributed on a reimbursement basis.

Impact Aid Program Audit Findings

The United States Department of Education has issued a memo to provide [additional guidance](#) on the exemption from OMB Circulars A-87 and the A-102 Common Rule for the Impact Aid Program.

Updates for FY2011

Student Count for ANB – Reporting Procedures

In the FY2010-2011 school year enrollment data was imported into MAEFAIRS from the Achievement in Montana (AIM) system. MAEFAIRS imported the minimum enrollment information necessary to determine a school district's Average Number Belonging (ANB). AIM was used to collect student enrollment, attendance on official count dates, aggregate hours, and student demographic information. For more information regarding enrollment and ANB see the letter regarding [Student Count for ANB Reporting to the Office of Public Instruction](#). Contact Nica Meralo at nmerala@mt.gov or (406) 444 – 4401 with any questions.

Achievement in Montana (AIM)

Please take into account the following information when checking enrollment:

1. Student enrollments where enrollment end date falls close to count date. Once a district receives notice that a student has transferred, the enrollment end date should be set to the date the student was last present in the district. If the district has not received notice that a student has transferred, they should continue the enrollment per district policy (usually carry for 10 days) and then end date the enrollment record.
2. The district must have an agreement with the MT Youth ChalleNge Academy and/or Job Corps program for students that are being counted for ANB. The credits these students are taking must meet the district's requirements for graduation at a school in the district and they must be reported by the Job Corps or MT Youth ChalleNge Academy to the student's resident district. The district should have this documentation. For more information, see § 20-9-707 and § 20-9-311(12), MCA.
3. Verify district records for students identified as less than full time (aggregate hours not equal to F) with a service type S. The district should have documentation or schedules indicating how many classes a student is taking and that these hours calculate to the appropriate aggregate hours.

If you have any questions regarding AIM please contact Sara Loewen at (406) 444-3494 or sloewen@mt.gov

State Tuition for State Placement Payment –Compliance with MCA

Review of the FY2011 TFS brought to our attention that districts receiving the State Tuition for State Placement monies (revenue code 3117) may not be in compliance with [MCA 20-5-324](#) (6)(a) through (6)(d). Please check to assure your districts are receipting these funds correctly.

American Recovery & Reinvestment Act (ARRA)

The American Recovery & Reinvestment Act of 2009 was signed into law by President Obama on February 17th, 2009. The Office of Management and Budget (OMB) has posted an [addendum](#) to the OMB Circular A-133 Compliance Supplement for the ARRA.

The following is a breakdown of ARRA funds that were available to school districts and cooperatives for FY 2011:

ARRA IDEA Part B*

ARRA IDEA, Preschool*

ARRA Title I, Part A*

ARRA School Improvement 1003g*

ARRA Title II-D – Competitive*

ARRA McKinney-Vento Homeless Children & Youth*

ARRA Title I SchoolWide Program*

ARRA Impact Aid Discretionary Construction Grant

ARRA National Clean Diesel Grant (included a local match requirement)

*There are no new grant requirements for these federal funds, but with the increase in grant funding you should be familiar with the specific statutory and regulatory requirements for these grants.

State Fiscal Stabilization Fund Program - Department of Education Guidance

OPI distributed ARRA State Fiscal Stabilization Funds to school district general funds as part of the DSA payment. The U.S. Department of Education has provided guidance for grantees and auditors for the [State Fiscal Stabilization Fund Program](#).

If you have any questions please contact me at (406)-444-0783 or rphillips2@mt.gov or Denise Ulberg at (406)-444-1960 or dulberg@mt.gov .

Appendix A**Supplemental Schedule**

School District Number 2
County
Montana
SCHEDULE OF ENROLLMENT
For the Year Ended June 30, 2011

Fall Enrollment**Fall Per Enrollment****Audit Per****Elementary District****Reports****District Records****Difference**

(a) Pre-Kindergarten	14	14	0
(b) Kindergarten Full	111	111	0
(c) Kindergarten Part	309	309	0
(d) Grades 1-6	2,280	2,281	+1
(e) Grades 7-8	786	784	-2
(f) Total Elementary (add lines a thru e)	3,500	3499	-1

Part-time students:**Per Enrollment Reports****Audit Per District Records****Difference**

Grade	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	Difference
K- Full	0	0	0	0	0	0	0	0	0
K-Part	0	0	N/A	N/A	0	0	N/A	N/A	0
1-6	0	0	0	1	0	0	0	1	0
7-8	1	2	0	0	1	2	0	0	0

Fall Enrollment**Fall Per Enrollment****Audit Per****High School District****Reports****District Records****Difference**

(g) Grades 9-12	1,193	1,194	+1
(h) 19 Year-olds included on line (f)	4	4	0
(i) Job Corps students included on line (f)	0	0	0

Part-time students:**Per Enrollment Reports****Audit Per District Records****Difference**

Grade	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	Difference
9-12	3	7	6	12	3	7	6	12	0

Spring Enrollment**Spring Per Enrollment****Audit Per****Elementary District****Reports****District Records****Difference**

(j) Pre-Kindergarten	21	21	0
(k) Kindergarten Full	114	114	0
(l) Kindergarten Part	305	305	0
(m) Grades 1-6	2,293	2,293	0
(n) Grades 7-8	788	788	0
(o) Total Elementary (add lines i thru l)	3,521	3,521	0

Part-time students:**Per Enrollment Reports****Audit Per District Records****Difference**

Grade	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	Difference
K- Full	0	0	0	0	0	0	0	0	0
K- Part	0	0	N/A	N/A	0	0	N/A	N/A	0
1-6	0	0	1	1	0	0	1	1	0
7-8	3	1	1	0	3	1	1	0	0

Spring Per Enrollment**Audit Per****High School District****Reports****District Records****Difference**

(p) Grades 9-12	1,865	1,865	0
(q) 19 Year-olds included on line n	4	5	+1
(r) Early Graduates (not included in n)	45	45	0
(s) Job Corps students included on line n	0	0	0

Part-time students:**Per Enrollment Reports****Audit Per District Records****Difference**

Grade	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	Difference
9-12	5	5	7	6	5	5	7	6	0

Appendix B

Excess Reserve Changes from FY2010 to FY2011

Please see the individual Montana school district budget report, page 3, for Excess Reserves information. The budget reports are posted on the OPI website -- [BUDGETS](#)